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BOOK NUMBER

A280.350

845795

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10/28/53

Prepared at request of Senator L. C. Hunt of Wyoming

845795

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ESTIMATED COSTS OF MARKETING BEEF FROM FEEDER STEER ON RANGE IN WYOMING
TO SALE OF CHOICE GRADE BEEF AT RETAIL IN WASHINGTON, D. C.

Steps Involved in Marketing of this Beef Animal

For purposes of this illustration, we have assumed that a 700 pound feeder steer of Good grade is marketed from a ranch in western Wyoming. This steer is bought in the Omaha livestock market by a cattle feeder in western Iowa. The steer is kept in feed lot for 240 days and is a Choice grade slaughter steer when sent to the Chicago livestock market. At an average daily rate of gain of 1.75 pounds, the steer weighs 1,120 pounds at time of marketing.

The various steps involved before this beef is bought by consumers in Washington, D. C. include:

Transportation of the feeder steer from the Wyoming range by truck and rail to Omaha.

The sale of the steer to a feeder in the Omaha market.

Transportation by truck to feed lot.

After feeding operations are completed, transportation by truck and rail from the feed lot to Chicago.

Sale of steer in Chicago market to meat packing company.

Slaughter of steer in packinghouse and other marketing operations required before carcass is ready for shipment to Washington, D. C.

Transportation of beef carcass in refrigerator car from Chicago to Washington, D. C.

Retailing, warehousing, and other operations required to convert carcass into cuts for sale to Washington consumers.

Byproducts, Waste and Shrinkage

The hides, tallow, and other byproducts that are obtained from a beef animal also have some market value and may often amount to more than 10 per cent of the carcass value. Therefore, the value of these byproducts as well

as the wholesale value of the carcass determine what price the meat packer will pay for the live animal. Usually the wholesale value of the carcass is less than the total amount paid for the live animal. The wholesale value of these byproducts obtained from 100 pounds live weight steer has dropped from an estimated \$4.50 in early 1951 to about \$2.30. This tends to widen the spread between live cattle prices and retail meat prices.

From 100 pounds live weight, only about 46 or 47 pounds of salable retail carcass cuts are obtained. This takes into consideration a carcass dress-out of 59 percent of the live weight, a further shrinkage in the carcass weight of about 3 percent from the killing floor to the time of its arrival in Washington, and a shrinkage of about 20 percent in the total carcass weight due to fat, bones, and other waste in the cutting and trimming operations in the retail store. Thus, even before any marketing costs are added to the net return received by the Corn Belt feeder, the live weight price per pound must be more than doubled to realize that price at the retail level.

Estimated marketing and feeding costs

Marketing costs to rancher

Estimated trucking cost from ranch to Rawlins, Wyoming	\$.52 per 100 pounds
Rail freight rate from Rawlins to Omaha	.83 " " "
Yardage, commission, etc., at Omaha market	.30 " " "
	<u>\$1.65 per 100 pounds</u>
Sale of Good grade steer at Omaha, average market quotation, mid-October	\$15.50 per 100 pounds
Net price received by rancher	<u>\$13.85 per 100 pounds</u>

Marketing costs to feeder

Truck transportation from Omaha to feed lot	\$.35 per 100 pounds
Marketing costs to feeder at time of sale in Chicago market	
Truck and rail transportation to Chicago	\$.95 per 100 pounds
Yardage, commission, feed, etc.	.30 " " "
Total	<u>\$ 1.25 per 100 pounds</u>

Costs of slaughtering and other processing (rough estimate)

Selling price, Chicago (or cost to packer)	\$25.50 per 100 pounds
Value of byproducts	-2.30 " " "
Value of live steer less byproducts	<u>\$23.20 per 100 pounds</u>
Market value of 600-700 pound carcass, mid-October price in Chicago, \$42.00 per 100 pounds. At 59 pounds carcass yield, this is equivalent in live weight to	<u>\$24.80 per 100 pounds</u>
Difference between carcass value and net cost of live steer to packer	\$ 1.60 per 100 pounds

Estimated net returns to feeder

Cost of steer, 700 pounds at \$15.50	\$108.50
Truck transportation to feed lot, 700 pounds at \$.35	2.45
Total	<u>\$110.95</u>
Feed cost (assuming 12.3 bushels corn, 47 pounds soybean oil meal, 231 pounds silage and 448 pounds hay per 100 pounds of gain)	
Corn, 52 bushels at \$1.44	\$ 74.88
Soybean meal, 197 pounds at \$.045	8.87
Silage, 970 pounds at \$.008	7.76
Hay, 1,880 pounds at \$.009	16.94
Warming period and pasture - 15 days	3.00
Total	<u>\$111.45</u>
Labor cost (feeding 150 head) one animal	2.40
Marketing costs at time of sale, 1,120 at \$1.25	<u>14.00</u>
Total, direct costs to feeder	\$230.80
Selling price, Choice grade steer, 1,120 pounds at \$25.50	<u>\$285.60</u>
Net return to feeder	<u>\$ 46.50</u>

Note: This assumes that selling price will be equal to mid-October selling prices in Chicago market. If feeder had bought Good grade steer in Omaha 8 months earlier, mid-February 1953, he would have paid \$20.50 per 100 pounds. This would lower estimated net returns per animal by \$35.00 to \$16.80. A comparison of feeder prices a year ago with slaughter steer prices in early summer this year would give negative return.

Costs of classification and other processing (rough estimates)

Belting price, Chicago (or cost to producer)	
Value of pyroxydite	
Value of live stock less pyroxydite	
<u>\$22.50 per 100 pounds</u>	

Estimated value of 500-700 pound carcass, mid-October price in Chicago, \$42.00 per 100 pounds. 50 pounds carcass price, this is equivalent in live weight to \$21.00 per 100 pounds.

Difference between carcass value and cost of live stock to producer

\$ 2.50 per 100 pounds

Estimated net returns to feeder

Cost of stock, 700 pounds at \$12.50	
Truck transportation to feed lot, 700 pounds at \$1.25	
<u>Total</u>	

Feed cost (assuming \$2.50 bushels corn, 45 pounds nitrogen all feed, 250 pounds alfalfa and 500 pounds hay per 100 pounds of gain)

corn, 25 bushels at \$2.50	
alfalfa, 250 pounds at \$2.00	
hay, 500 pounds at \$2.00	
Washing, feeding and penning - 15 days	
<u>Total</u>	

labor cost (feeding 100 head) one animal

Marketing costs at time of sale, 1.50 at \$1.25

Belting price, Chicago grade about, 2.10 pounds	
<u>Total, direct costs to feeder</u>	
Net return to feeder	

Note: This assumes that selling price will be equal to mid-October selling prices in Chicago market. If feeder had bought feed stock about in 1925 8 months earlier, the January 1925 price would have been \$20.50 per 100 pounds. This would have increased net return per animal by \$1.50 to \$16.50. A comparison of feeder prices a year or two earlier shows that in early years this year would give negative return.

Costs of marketing beef carcass from shipping point, Chicago to retail store in Washington, D. C.

Dollars per
100 pound
carcass weight

Market value, Chicago	\$ 42.00
Transportation charge, Chicago to Washington, D. C.	2.00
Delivered price, Washington, D. C.	\$ 44.00
Estimated realization of retailer (assuming retailer sells at prices quoted)	\$ 55.00
Total margin obtained for retailing, warehousing, and other marketing operations in Washington, D. C. ^{1/}	\$ 11.00 or 20 percent gross margin

Estimated distribution of retail price

Percent

Retailer (including some wholesaling)	20
Transportation (including transportation of feeder steer)	9
Other marketing costs (slaughtering, commission charges, etc.)	6
Cattle feeder (41) and rancher (24) - (gross returns less marketing expenses)	65
Total	100

Total marketing margin tends to be larger proportion of retail price of lower grade beef. No information is currently available. A study of margins for lower grade beef is being conducted at the present time by USDA.

Retail practices

Since, on the average, only 80 percent of the carcass weight is sold to consumers, \$55 per 100 pounds carcass is equal to an average price per pound in the retail store of about \$.69. (In terms of the retailer's estimated realization per pound of live weight, this is equal to about 33 cents per pound.)

There is a wide range of selling prices, depending on the carcass cut. The more desirable and relatively higher-priced steak cuts represent only a small proportion of the total carcass. The range in prices collected in a typical retail food chain in Washington is as follows:

	<u>Cents per pound</u>	<u>Percent of carcass</u>
Porterhouse steak	\$1.09	6.1
Other steak cuts	\$.85-.99	17.8
Higher-priced roasts	\$.65-.75	19.2
Ground beef, blade roasts, shank cuts, short ribs	\$.39-.45	29.2
Plate beef, brisket, etc.	\$.19-.29	8.3
(Remaining percent of carcass is fat, bones, and cutting waste)		

^{1/} Based on average margins reported by group of retail chain organizations.

Rigidity of marketing costs

The total marketing margin for beef has not decreased in line with decreases in live animal prices because of the relative inflexibility of many marketing costs. Such cost factors as transportation, labor, rents, etc. change slowly relative to changes in livestock prices.

The general level of rail freight rates has been raised 11 times since the end of World War II. The last increase (May 1952) brought the average freight rate on cattle to 80 percent above the June 1946 level and that on fresh meats up 90 percent. The 1952 increase in freight rates was recently extended through 1955 by the ICC.

A BAE research study disclosed that wages accounted for about 65 percent of the costs of retailing meat. A recent survey indicated that average hourly wages of journeymen meat cutters in 7 cities increased from an average of \$1.67 per hour in January 1950 to \$1.96 per hour in January 1953, with probably additional increases during this year.

Reliability of marketing costs

The actual marketing margin for beef and lamb increased in 1952.

Wholesale and retail prices of live animal carcasses at the relative profitability of

many marketing costs. Such cost factors as transportation, labor, taxes, etc.

change slowly relative to changes in livestock prices.

The general level of retail livestock prices has been about 11 cents above

the end of World War II. The last increase (May 1952) brought the average

retail rate on cattle to 50 percent above the 1946 level.

Prices rose up 50 percent. The 1952 increase in retail prices was probably

extended through 1952 by the 100.

A 1952 research study showed that when accounted for about 50 percent

of the cost of marketing meat. A recent survey indicated that average family

income of American meat eaters in 7 cities increased 100 percent of

1947 to 1952. In January 1952 the price of beef was 11.00 per lb. in January 1953, after probably

additional increases during this year.

